The Colorado State Office is soliciting public comments on the proposed Notice to Lessees (NTL) described below. The comment period will be open through December 4, 2016. Copies of this NTL can be obtained at any BLM office in Colorado or at our website: http://www.blm.gov/co/st/en/BLM_Programs/oilandgas/leasing_regulations.html. Comments may be electronically submitted at: blm_co_mlvt_comments@blm.gov

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

Notice to Lessees/Operators of Onshore Federal and Indian
Oil and Gas Leases in Colorado
Modular Large Volume Tanks
NTL CSO-2016-1

Introduction

Oil and gas operators use Modular Large Volume Tanks (MLVT) to hold large volumes of fresh water associated with new well drilling and/or completions. MLVTs are aboveground tanks typically comprised of a freestanding steel structure with a synthetic liner. MLVTs are capable of storing 50,000 barrels or more of water and are used in lieu of in-ground pits or multiple mobile 500-barrel steel tanks.

On June 13, 2014, the Colorado Oil and Gas Conservation Commission (COGCC) issued a policy on the use of MLVTs. This notice provides the Bureau of Land Management's (BLM) guidance to operators using MLVTs on Federal oil and gas leases. This Notice to Lessees (NTL) implements the existing requirements in Onshore Oil and Gas Order (OO) #1, specifically section III.D.4. This NTL does not alter the standards and requirements of OO #1, or approved variances.

Permissible Use of Modular Large Volume Tanks

For the purpose of this NTL, "*fresh water*" excludes oil and gas exploration and production (E&P) wastes such as produced water, flowback fluids, or recycled or treated produced water or flowback. The term *"Modular Large Volume Tanks"* includes any aboveground tank, field-assembled from multiple uniform factory-prepared components, which supports a synthetic liner that provides primary containment for 5,000 barrels or more of fresh water within the assembled tank structure.

Operators may store fresh water in MLVTs in support of oil and gas operations.

Operators may not store E&P waste in MLVTs.

Approval Process

Operators must obtain BLM's approval prior to placing a MLVT into service on a Federal oil and gas lease, as follows:

1. For use on a well proposed in a new Application for Permit to Drill (APD), an Operator must include the MLVT in the Surface Use Plan of Operations (SUPO) for the APD. The Operator shall not place the MLVT into service until the BLM has approved the APD.

2. For use under an approved APD or at an existing well pad, an Operator must submit a Sundry Notice, BLM Form 3160-5, indicating the intent to use a MLVT. The Operator shall not place the MLVT into service until the BLM has approved the Sundry Notice.

BLM's review of proposed MLVTs will comply with the National Environmental Policy Act.

The APD or Sundry Notice must include the following information regarding each proposed MLVT: manufacturer or vendor, size, number of MLVTs to be used at the site, anticipated timeframe of MLVT use at the site, a design packet for the MLVT, and a drawing indicating location of the MLVT(s) with respect to other facility equipment and property boundaries. An Operator proposing to locate a MLVT within 1,000 feet of a building must include in its proposal appropriate best management practices (BMP) to mitigate noise, lights, and dust associated with the use of the MLVT. Additionally, if a building is located down gradient from a proposed MLVT, the Operator must include BMPs to eliminate or minimize potential adverse impacts to the building, such as berming, diversions, or secondary containment.

The design package must include the following components:

1. Detailed tank design
2. Specific tank installation and assembly procedures
3. Documentation of appropriate site conditions for installation, which includes grades, bedding material, and potential weather impacts
4. Appropriate site preparation
5. Required type of liner material and minimum thickness, along with applicable standards for the liner
6. Liner installation procedures and quality control measures
7. Periodic testing or re-inspection requirements, including what to perform, when to perform, and testing guidelines/protocols
8. Detailed Standard Operating Procedures (SOP) for all of the above items

A Licensed Professional Engineer must certify and seal the design package, stating that design specifications are adequate to withstand the loads proposed for the tank's use. The Licensed Professional Engineer must be licensed either in Colorado or in the State where the MLVT was designed or manufactured. Operators may obtain individually certified and sealed design package components, as listed above, instead of a fully certified design package.

Finally, the operator must certify, in writing and with the APD or Sundry Notice, that the MLVT(s) will be designed and implemented consistent with all proposed BMPs, the design package components, and this policy.

In addition to the information submitted in the APD or Sundry Notice, each Operator must develop a contingency plan/emergency response plan for any MLVT leak or catastrophic failure of the tank integrity and resulting loss of fluid. The contingency plan should include procedures for notifying all required regulatory agencies, and local

emergency authority (municipality, county or both). Upon BLM's request, the operator must provide the contingency to the BLM.

MLVT Installation and Filling

MLVTs must be located in compliance with the following safety setbacks:

- Seventy-five (75) feet from a wellhead, fired vessel, heater-treater, or a compressor with a rating of 200 horsepower or more
- Fifty (50) feet from a separator, well test unit, or other heat producing equipment

The operator must weld and test all liner seams in accordance with applicable ASTM International standards. The operator must make any repairs to the liner using acceptable practices and applicable standards. The operator must document any repairs and provide the repair records to the BLM upon BLM's request.

The operator must be present during the initial filling of a MLVT, will have Stop Work authority, and must stop work if the operator observes unsafe or upset conditions. The contractor who installs the MLVT must supervise and inspect the tank and liner for leaks during filling, will have Stop Work authority, and must stop work if the contractor observes unsafe or upset conditions. If the operator or contractor observes leaks, the operator or contractor must cease filling, repair the leaks, evaluate tank integrity, and confirm tank integrity prior to continuing to fill or otherwise use the MLVT. A contractor may observe all subsequent fillings without the Operator present, provided the operator grant the contractor Stop Work authority.

The Operator is responsible for maintaining all records from the contractor who installs the MLVT, documenting that site preparation and MLVT installation were performed in accordance with the design package specifications and SOPs, as well as any conditions of approval, and that the MLVT is being used for its intended purpose.

MLVT Operations and Contingency Planning

Operators employing MLVTs on Federal leases must comply with testing and re-inspection requirements and the SOPs listed in the design package. However, testing and re-inspection must be performed at least every 50 set-ups, regardless of what the design package states. The operators must maintain records of these inspections and tests and provide the records to the BLM upon request.

The operator must post signs on each MLVT to indicate that the contents are fresh water and that no E&P waste fluids are allowed. Location and additional signage must include name of Operator, Operator's emergency contact telephone number, and tank capacity.

The operator will operate the MLVT with a minimum of 1-foot freeboard at all times. Access to the tanks must be limited to operational personnel and authorized regulatory agency personnel. The operator, contractor, or MLVT owner must conduct daily visual inspections of the exterior wall of a MLVT and the surrounding area, for any integrity deficiencies. If deficiencies are noted, the operator must address the deficiencies as soon as practicable. The operators must maintain records of these inspections and tests and provide the records to the BLM upon request.

Variances

The operator may make a written request for a variance from this NTL to the BLM Field Office in accordance with OO #1. OO #1 states, "A request for a variance must explain the reason the variance is needed and demonstrate how the operator will satisfy the intent of the Order. The operator may include the request in the APD package. A variance from the requirements of this Order does not constitute a variance to provisions of other regulations, laws, or orders. When the BLM is the decision maker on a request for a variance, the decision whether to grant or deny the variance request is entirely within the BLM's discretion. The decision on a variance request is not subject to administrative appeals either to the State Director or pursuant to 43 CFR part 4."

Notice Title: Notice to Lessees/Operators of Onshore Federal and Indian Oil and Gas Leases in Colorado – Modular Large Volume Tanks
Originating Office: Colorado State Office

SO proofreader: Date completed: